GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2270
ANSWERED ON:14.03.2008
TAXING THE INCOME FROM SHARE MARKET
Singh Kunwar Rewati Raman

Will the Minister of FINANCE be pleased to state:

(a) the details of current provisions for taxing the incomes from the stock market;

(b) whether investors are exempted from payment of income tax if they have held the particular scripts for more than a year;

(c) if so, whether Government is considering to further reduce this period in view of major slides that took place on the bourses recently; and

(d) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE: (SHRI S.S. PALANIMANICKAM)

(a) The income arising from transactions in the stock market may either be taxed as capital gains or as business income; depending upon the facts of a particular case.

(b) Yes, Sir. Such exemption from payment of income tax is applicable only to capital gains arising from the transfer of an asset held for more than one year,being an equity share in a company or a unit of an equity oriented fund, and where such transactions have been charged to securities transaction tax.

(c) No, Sir.

(d) A reduction in the holding period, as suggested, will encourage investors to sell their shares which could cause further slide in the market. Therefore, the proposal to reduce the period of holding is not acceptable.